

ENVIRONMENTAL AND SOCIAL PROTECTION IN THE SANTA CRUZ-PUERTO SUÁREZ CORRIDOR

BO-0033 EXECUTIVE SUMMARY

Borrower:	Republic of Bolivia		
Executing Agency:	Ministry of Sustainable Development and Planning- MDSP		
Amount and source:	IDB (FOE):	US\$	21 million
	Cofinancing (Nordic Fund):	US\$	3 million
	Local:	US\$	2.5 million
	Total:	US\$	26.5 million
Terms and conditions:	Amortization Term:	40	Years
	Grace Period:	10	Years
	Disbursement and Execution:	10 ¹	Years
	Interest Rate:	1%	First 10 years
		2%	Last 30 years
	Inspection and monitoring:	1%	
	Commission on credit:	0.5%	
Currency:	Those that are part of the FOE		
Objectives:	The objectives of the Project are to minimize, control, counteract and compensate for all direct, indirect, cumulative, long term or synergic socio-environmental types of impact caused by the implantation and operation of the Santa Cruz – Puerto Suárez highway corridor. At the same time, the Project will promote environmental conservation and a process of sustainable social and economic development in the area of influence, in accordance with Bolivian law and Bank standards.		
Description:	The Project consists of: (i) the mitigation of indirect impacts of the Highway project through titling and registry of lands in the Direct Area of Influence (AID) of the Corridor, important supportive actions for indigenous communities, for protected areas and forests, for institutional strengthening and promotion of municipal development in the six municipalities within the AID, and actions which help to incorporate the affected population or those interested in development of the Highway project as well as environmental conservation, and in (ii) the mitigation of direct impact through repayment for losses caused because of cession of the right of way and the protection of archeological and cultural Heritage, as well as dissemination of information on the project		

¹ (See Section I, ¶ 3.89 and **Error! Reference source not found.**

and establishment of channels for dialogue with local actors. Actions for environmental supervision and auditing are also planned within the Project to cover activities involved in the public works, and periodic audits to guarantee execution in accordance with environmental standards.

Bank strategy in the country and sector:

The central goal of the Bank's strategy in Bolivia--defined in Country Document (GN-2020) and approved by the Board on June 9, 1999—is to combat poverty. This will be accomplished through three types of actions that are consistent with three of the four main themes in the Government's Operative Plan of Action 1997-2002: (i) economic growth and the creation of opportunities (opportunity); (ii) development of human capital and access to basic social services (equity); and (iii) governability and consolidation of reforms (institutionality).

The proposed Project fits within three of the strategic guidelines proposed by the Bank for Bolivia, in order to foster economic growth and create opportunities in a sustainable manner, promote greater social equity, and optimize the use of natural resources. At the same time the project stimulates community participation in program development as well as provides training to improve participation in the political game of democracy. Management mechanisms will also help to consolidate reforms through decentralization.

The proposed Project also fits within the Bolivian Strategy for Poverty Reduction (EBRP) by guaranteeing legal security as regards access, tenure or use of assets, modernization of the land census (cadaster), promotion of policies and actions oriented towards improving opportunities for women, institutional strengthening of executors and co-executors, broadening of opportunities for economic participation, and strengthening of indigenous organizations.

Social and Environmental oversight:

This is an environmental project to mitigate the direct and indirect socio-environmental impact of the Highway project. During the preparation of the Highway project and the current project, several environmental studies were carried out that varied in depth: (i) a first Environmental Impact Assessment Study (EEIA), elaborated jointly with road engineering studies; (ii) a Strategic Environmental Assessment (EAE) and the revision and supplementing of the previous EEIA; (iii) a special study on the System for Regulation of Land Tenure; (iv) the Operations Plan which describes Project actions in detail; (v) a report from a high-level Advisory Panel; and (vi) a new EEIA done by a private consortium based on a study of the highway's final design. The conservation strategy adopted will focus on the following fronts: (i) clarifying property rights of the land and returning large extensions of land suitable for forestry management to the state; (ii) organizing territorial occupation; (iii)

strengthening management of protected areas, particularly tasks involving environmental protection; (iv) strengthening the auditing system of forests and controlling illegal clearing of wood; and (v) promoting practices for sustainable use of natural resources. The integral versions of the Strategic Environmental Assessment and the EEIA Revision have been available on the Bank's website since August 4, 2000.

See: <http://www.iadb.org/regions/re1/eia/bo0036/index.htm>. The Project Report was sent to the "Public Information Center" (PIC) on March 4th, 2002 and approved by CESI on February 19, 2002.

Benefits:

As this is an environmental project, it is obvious that actions will benefit the environment. In the case of non-execution, these benefits would not be produced. The expected benefits are: (i) an improvement in the administration of property rights for lots and regulation of land use; (ii) greater legal security due to incentives to promote more sustainable use of soil resources while assuring the property rights of small farmers and indigenous landholders; (iii) an improvement in systems of registration and titling of real estate that will permit greater efficiency in collecting property taxes; (iv) the return to the state of large extensions of land suitable for forestry management; (v) organization of territorial occupation; (vi) strengthening of auditing of forests and control of illegal clearing and logging; (vii) strengthening of management of protected areas; (viii) promotion of practices for sustainable use of natural resources; (ix) training of municipal governments so that they can show greater leadership in terms of meeting new social demands and responsibilities; (x) training for social organizations to improve the quality of citizen participation; (xi) promotion of the conservation of archeological and cultural heritage; and (xii) repayment of losses to those directly affected by the Highway project at a higher rate than under current conditions.

Risks:

The principal risks of this Project are: (i) the weak institutional capacity of public bodies and private executors and co-executors to carry out Project actions. This risk will be minimized through specific actions to strengthen institutions; (ii) lack of interest in the Project's execution on the part of the incoming administration. This risk will be minimized by establishing clauses in the loan contract for the Highway project which conditions Project disbursements to compliance with goals in advance in the present Project; (iii) the risk of social or environmental incidents/disasters with serious international repercussions. This risk will be minimized by establishing mechanisms to prevent and resolve conflicts before a given situation gets out of hand; (iv) the risk that the legal framework will be modified in a way that conflicts with Project objectives. This risk will be minimized since contractual

commitments override possible changes in legislation; (v) the risk of institutional instability with changes in the principal executing bodies. The establishment of program goals that are linked to disbursements minimizes this risk; (vi) the risk that the project will not be carried out or will be postponed, and that the right of way that has been registered as state land will be occupied yet again by invaders.

**Special
Contractual
Conditions:**

In addition to standard contractual obligations that must be met before the first disbursement, the following special contractual conditions will also be established before the first disbursement:

- 1) Project Executing Unit (UEP) created and functioning;
- 2) Proof that the agreements between the Executing Agency and the following entities, in virtue of which the Executor commits to transferring Project resources to these entities, and they in turn commit to utilizing these resources to carry out activities within their responsibility, in compliance with terms agreed upon with the Bank in the Loan Contract have taken effect:
 - (i) with the National Institute for Land Reform (INRA) and Judiciary Branch Judicative Council (CJ), to carry out the execution of the Program to Title and Register Land;
 - (ii) with the Foundation for Technological Farming and Forestry Development of the Humid Tropics (FDTA-TH) for the execution of the subprogram of Productive Initiatives;
 - (iii) with the National Service of Protected Areas (SERNAP) in order to execute the Subprogram for Management of Protected Areas;
 - (iv) with the Forestry Superintendence to carry out the Subprogram for Forest Conservation;
 - (v) with the Foundation for the Humid Tropics to carry out the Subprogram on Showcase Projects;
 - (vi) with the National Highway Service (SNC), INRA and the Department of Santa Cruz (PSC) for the Losses Compensation Program;
 - (vii) with the SNC and the Ministry of Education, Culture and Sports to execute the Program for the Protection of Archeological and Cultural Heritage; and
 - (viii) with the SNC to carry out the Information and Social Interaction Program and activities of the Environmental Supervision authority.

- 3) evidence that the Participation and Consultation Committee (CPC) has been created (in accordance with terms agreed upon with the Bank), including a Land Subcommission (¶ 3.20 An 3.24);
- 4) evidence that official SNC directorate have been issued in regards to establishing environmental standards in compliance with the Program Operations Plan, that must be implemented for all construction work to take place along the corridor.;
- 5) presentation of an updated Project Operations Plan that meets Bank standards.

Prior conditions placed on the disbursement that equals US\$ 1,600,000 of the resources for financing assigned to the Subprogram for Indigenous Organizational Development, for the creation of the Fiduciary Fund to Strengthen Indigenous Organizations: In addition to compliance with standard and special conditions prior to the first disbursement and after the condition that the administration contracts referred to in the **Other Special Conditions** section of this Executive Summary, come into effect, presentation of evidence that a contract has been signed to set up the Fiduciary fund to Strengthen Indigenous Organizations. (¶2.10, 2.11, 3.41).

Prior conditions for the disbursement of the equivalent of US\$ 1,970,000 of financing resources assigned to the Subprogram for Management of Protected Areas to set up a Fiduciary Fund to support the Management of Protected Areas: In addition to compliance with standard and special conditions prior to the first disbursement, and after the condition that the administration contracts referred to in the **Other Special Conditions** section of this Executive Summary, come into effect, evidence is required that a contract has been signed to create a Fiduciary Fund to support Management of Protected Areas (¶2.17, 2.18, 3.42).

Prior conditions for the disbursement of the equivalent of US\$ 1,500,000 of financing resources assigned to the Subprogram for Forest Conservation to create the Fiduciary Fund for Forest Conservation: In addition to compliance with standard and special conditions prior to the first disbursement, and after the condition that the administration contracts referred to in the **Other Special Conditions** section of this Executive Summary, come into effect, evidence is required that a contract has been signed to create a Fiduciary Fund for Forest Conservation (¶2.19, 3.45, 3.46). and

Conditions for the Principal Coexecuting Entities, the beneficiary executing agency, beneficiary entities and the

entities in charge of the administration of the Fiduciary Funds, that participate in the project.

(a) In all agreements and administration contracts signed by the Executing Agency for this Project, among other conditions, the following must be included when applicable:

- (i.) The organizations or groups of indigenous communities participating in the project may receive goods and services provided by project funds, if they previously present the Executing Agent and through it to the Bank, proof of being legally established;
- (ii.) The compromise by all Principal Coexecuting Entities, the beneficiary executing agency and beneficiary entities to make sure that all goods and services to be acquired with the Project resources will be used exclusively in the execution of the corresponding Program, Subprogram or Activity;
- (iii.) The right of the Borrower, the Executing Agency and the Bank to be able to examine the goods, places, works and constructions of any Program, Subprogram or Activity;
- (iv.) The obligation to provide all reports and information that the Borrower, the Executing Agency and the entities in charge of the administration of the Fiduciary Funds (FF), whenever they require in relation to any Program, Subprogram or Activity to be executed. The information to be provided to the entities in charge of administering the FF will be according to the administration contracts signed between the parties;
- (v.) Provide accountability to the Executing Agency on all resources received and prepare the financial statements required to them;
- (vi.) Maintain adequate files of all documentation and proof of all contracts and expenses acquired with Project financing and keep it at hand for the analysis by external auditors and/or Bank staff.
- (vii.) Maintain separate and exclusive bank accounts for the administration of any Project related resources;
- (viii.) Right of the Executing Agency to suspend disbursements to the Principal Coexecuting Entities, the beneficiary executing agency, or the beneficiary entities, as it may correspond, whenever the obligations they have accepted under this Program are not followed;
- (ix.) The proceedings for goods acquisition, the execution of works and contracting of services, according to what is established in the Loan Document ;
- (x.) The obligation by the entities in charge of administration of the FF to provide reports and information

to the Executing Agency, the Bank and the Principal Coexecuting Entities whenever they request it; and

- (xi.) The obligation of the UEP to transfer the resources to the beneficiary entities will be done according to the Annual Operation Plans (POA) and in such a way that there is transparency in the delivering of resources and their adequate use. Such process will be specified in the corresponding administrative contracts.

(b) In addition, the Administration Contrats for the Fiduciary Funds for the Indigenous Organizational Development , Protected Areas Managemnt and Forest Conservation Subprograms, shall include:

- (i) corresponding terms and conditions previously agreed upon with the Bank
- (ii) the presentation of POA, reports and audits requereired by the Executing Agency and the Bank;
- (iii) Sanctions mentioned in paragraph 3.67 of the Loan Document;
- (iv) The FF execution mechanisms and structure;
- (v) The obligation to return the remaining balance of resources of the FF to the Borrower at the end of their term. This obligation must also be included in the Fiduciary contract.

Other special contractual conditions: The Borrower must present the following, to the Bank's satisfaction:

(a) within the first eight (8) months after the Loan Contract enters into effect, present the draft administration contracts and Fiduciary contracts, to which the Second Condition below and paragraphs 3.41, 3.43 and 3.46 of this document refer to;

(b) within the first nine (9) months after the Loan Contract enters into effect, the following:

- (i) present evidence that the parallel cofinancing contract between the "Nordic Develoment Fund" and the Republic of Bolivia has entered into effect, for partial financing of the local counterpart of the Project;
- (ii) present evidence that the following administrative contracts between the Executing Agency and the mentioned entities have entered into effect including all subjects convened with the Bank: (1) with the Fund for the Development of the Indigenous Peoples of Latin

America and the Caribbean – Indigenous Fund (IF) for the execution of the activities to be financed through the FF for the Strengthening of Indigenous groups; (2) with SERNAP and the Foundation for the Development of the National Protected Areas System (FUNDESNA) for the execution of the activities to be financed through the FF to support the Protected Areas Management; and (3) with the Forestry Superintendence and the Foundation for the Protection and Sustainable Use of the Environment (PUMA Foundation), for the execution of those activities to be financed through FF to support Forest Conservation (together known as Administration Contracts).

- (iii) That the agreements are into effect between the Executing Agency and the Coordination of Ethnic Peoples of Santa Cruz (CPESC), the indigenous organizations: Organización Indígena Chiquitana (OICH), Central de Comunidades Indígenas de Chiquitos – Turubo (CCICH-T), Asociación Comunitaria (CICOL), Central Indígena Reivindicativa de la Provincia Ángel Sandoval (CIRPAS), Central Ayoreo Nativo del Oriente Boliviano (CANOB) and Capitanía del Alto y Bajo Izoceño (CABI), and these indigenous organizations as well: Central Indígena Chiquitana de Pailón (CICHIPA), Central Indígena Chiquitana Amanecer Roboré (CICHAR); Central Indígena Chiquitana de la Provincia Germán Busch (CICHGB) by which agreements these beneficiary entities will receive goods and services with funds for the support of Organizational Development and Productive Initiatives, and additionally for CPESC, for the support of Management Plans for Indigenous Lands (TCOs).

(c) During the execution period for the Project, POA reports, quarterly, biannual and yearly reports for the project and financial statements (paragraphs 3.61, 3.80, 3.62 and 3.65) will be presented. Meetings will be also held according to what is established in paragraphs (3.64 and 3.65). In order to present the mentioned reports to the Bank, their preparation must consider the specific time schedule of each specific activity, subprogram or program.

Classification of social equity and poverty:

This operation qualifies as a project to promote social equity as described in the key objectives for Bank activity contained in the report on the Eighth Compensation Report (document AB-1704) (see ¶1.59 to 1.61). This operation does not qualify as a project oriented towards poverty reduction (PTI). The borrower will not

utilize the 10% additional financing.

**Exceptions to
Bank policies:**

The execution period of this Project is ten years, with disbursement dating from the effective date of the Loan Contract, with the objective of allowing the execution of the following subprograms during this same period: Organizational Development, Management of Protected Areas and Forest Conservation, and disbursements for activities related to the control and supervision of utilization of resources disbursed specifically for these subprograms. The Bank usually does not permit these types of terms and disbursements as regards the duration of specific projects and traditional global loans (GN-750-1, par. 1.05 (a) and 2.08 (a) and GN-2085-2, Section III. B). With this in mind, the following is proposed as regards execution of these subprograms: (a) that the execution period previously indicated also apply to Fiduciary funds that will be set up to finance the three subprograms; and (b) that nearly the total amount of resources assigned to these subprograms be disbursed at one time; that the interest earned from these resources be used for the execution of these subprograms; and that the period of justification for the utilization of the totality of these disbursements also be ten years.

Acquisitions:

Standard Bank procedures will be applied as regards purchase of property and to execute Project works. International bidding procedures will be used when utilizing Bank resources to purchase property with a value equal to or greater than US\$ 350,000, and the contracting of works with a value equal to or greater than US\$ 3,000,000.

It should be further noted that the Foundation for Technological Farming and Forestry Development of the Humid Tropics) will be subject to the Bank's standard procedures for public sector institutions in this regard. This entity will be subject to all local legislation applicable to the public sector for the acquisition of goods and services under the limits at which the Bank's policy requires international public tenders. The Borrower undertakes to supervise this entity through the Executive Body, as though it were a public sector institution, with regard to the use of the procedures and the legislation indicated in this paragraph.

The acquisition of consulting services will be carried out in accordance with standard Bank procedures and procedures outlined in Document GN-1679-3. Consulting services will be acquired through international public bidding for consulting services equal to or greater than US\$ 200,000. As regards cases of Selection Based on Quality and Cost for consulting firms in this Project, the relative weight of the price as evaluating criteria cannot be greater than 20%, and the weight placed on the technical

element or quality of the offer must be at least 80%.

